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23 March, 1889.

QUESTIONS OF THE DAY. No. LV.

TRUE OR FALSE FINANCE

THE ISSUE OF 1888

BY

A TAX-PAYER

NEW YORK & LONDON
G. P. PUTNAM'S SONS
The Knickerbocker Press
1888

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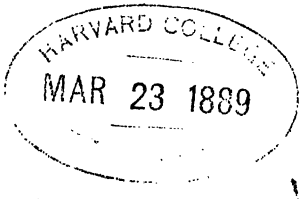

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TRUE OR FALSE FINANCE

THE REAL ISSUE.—It is very often said, on both sides, that the issue of the Presidential election of 1888 is one of tariff reform, of revenue reform, of free trade or protection, or equivalent phrases. The real issue, however, is much easier to comprehend: it is the issue between a true and a false system of national finance. It is true that this real issue has been forced upon us by our long-continued system of protection; that it is the inevitable and logical outcome of any attempt by a great and rich country to keep up a high protective system. But the real question, after all, is one of national book-keeping and business methods, which any business man can comprehend as soon as it is stated to him. He may be quite unable, as many of us are, to dissect and decide upon the arguments and counter-arguments in regard to the possible benefits of a system of "moderate protection." He is perfectly able, however, to understand and decide upon the overwhelming disadvantages and even perils of the false financial system of which ultra-protection in this country has chosen to make itself a part.

THE TRUE SYSTEM.—How shall a government adjust its revenues and its expenditures? What system will common-sense and experience recommend as the true system of national finance? Evidently there will be little departure, at bottom, from the system which any business man would follow in the case of his own store or factory, the system

which is followed by our own State and local governments. The government's need of money varies from year to year. It should have a finance system, then, under which it can adjust its revenue to its expenditures without the slightest difficulty, and without any fair reason for objection by selfish interests. If it needs a considerable increase of revenue for the coming year, it should be able to increase its rates of taxation for the year, just as a city or a county would do under like circumstances; and when the emergency has passed, the government should be able to decrease its rates of taxation again. The principle of the true system is so simple that it only needs to be stated in order to compel acceptance.

THE FALSE SYSTEM.—The false system of national finance enters as soon as any part of the taxation is so levied as to give rise to "vested interests," which depend upon it, or think they depend upon it, for their existence. Every man will struggle for his property. When his property has been invested in a particular manufacture, not because that manufacture is profitable in itself, but because the government has put extra taxes on his foreign competitors, and has thus shut them out of his market, he will naturally fight and fight very hard against any reduction of this taxation. The exigency may be ever so pressing and imperative for the rest of the country. There may be a constant process of sapping the money-supply, by drawing it off through taxation and locking it up uselessly in the government treasury, with a consequent imminent danger of panic and financial convulsion. There may be a steadily stronger temptation and disposition to counterbalance unnecessary taxation by extravagant expenditure, to the common demoralization of Congress, the beneficiaries, and the tax-payers. All these things move not him who has built his manufacture solely on protective taxes. He fights against any reduction of taxation with a sense of personal injury and injustice; and

his voice is so loud, emphatic, and angry that it holds the legislator in check. And the case is no different with him whose manufacture does not really depend upon the protective duties, but who has always been accustomed to considering them as a fixed element in his process of production; he is impatient of any attempt to "disturb business" by introducing a state of affairs to which he is not fully accustomed, and his active or passive protest reinforces that of the man who is more directly interested. The influence of all these "vested interests" upon the action of the legislative body is powerful at all times; but when, as in the present condition of affairs, the reduction of taxation is imperatively necessary, and yet cannot be made advantageously or properly except on some of the protective duties, the combined opposition of all the protected interests may become the most tremendous obstacle to the proper fiscal management of the government. The slough of despond into which a protective system carries the whole tax-system of such a rich and prosperous country as ours is a proof which any one can understand that the worst aspect of protection is that of a false system of national finance. And it is only in this aspect of false finance that protection has become the issue in 1888.

A RELIC OF ANTIQUITY.—Two hundred years ago, government revenues were meagre and stinted. The most powerful European governments had a revenue of but a few million dollars a year. Gustavus Adolphus was ready to take part in the Thirty Years' War, which made Germany a desert, on the payment of a subsidy of a few hundred thousand dollars a year; and twice as much would have bought peace from the most triumphant conqueror. Manufactures amounted to little; commerce to less; and taxation on either gave the government but a petty amount, as we should regard it. Under such circumstances, a protective system of taxation would have had no more chance

to show its full and final features of false finance than among the Zulus or the Mic-macs of more recent times. If it could not help manufactures and commerce much, neither could it hurt them much, for there was not much of them to hurt; it was like putting an extra weight of fifty or sixty pounds on a dead horse. The various schemes of protection, in which statesmen of two centuries ago dabbled, had at least this advantage, that they amused the statesmen and kept them out of worse mischief, while they did comparatively little direct injury to the country.

THE MODERN CONTRAST.—The attempt to apply such a system of taxation to a highly developed modern nation, with an enormous commerce, on which the smallest percentage of tax produces great masses of revenue, is a very different matter. When Andrew Jackson came into office, all the imports of this country amounted only to $57,000,000, and in the flush times of 1849 they had grown to but a little more than $130,000,000. In 1887, they were $726,000,000! Consider how this one fact influences the whole matter of taxation. A tax of one per cent. on this volume of imports makes the American statesman of 1887 responsible for the management of a revenue nearly twice as large as the whole revenue of the government from all sources when Washington came into office (about $4,000,000); and yet we are told that a "comprehensive and consistent system of protection" requires more than thirty times as much taxation. Evidently, the results of such a system in 1790 and in 1888 bring in radically different conditions, of which Washington and Hamilton knew nothing. The amount of revenue is now the absorbing question; and on that point the moderate free-trader may fairly appeal to the moderate protectionist to subordinate a part of his theory to the good of the country. There were arguments in plenty for "high protection" in 1790, when manufactures were few, the tariff revenue was small,

and the development of manufactures was inextricably complicated with the development of national unity; or in 1861, when there was a pressing need for revenue, when much of that revenue was to be drawn from taxes on American manufactures, and when these manufactures in turn had to be protected against their foreign competitors. The case is very different in 1888, when the volume of imports and tariff revenue is enormous and continually increasing, while the government's need of revenue is as continually decreasing. It is this change of national circumstances which makes it an historical truth, brilliantly stated, that it is a "condition which confronts us, not a theory." Nor is this "condition" limited to our own country; it really confronts every nation whose growth of commerce has fairly begun to assume modern proportions. If a tax on modern imports rises high enough for a general protection, it produces revenues so large that super-extravagance of some sort is needed to expend them. In modern European nations, a vent for this necessary super-extravagance has been found in their system of international armament, with its frightful expenditure for improved arms, munitions, iron-clads, etc. This has been one side of *their* system of finance, which has made the continuance of the other side, the high taxes on commerce, a possible thing. The modern use of credit has of course had its effect; but after all, the process in modern Europe has been the introduction of extravagant war expenditures in time of peace as an excuse for the maintenance of the mediæval high rates of taxation on the enormously swollen commerce of modern times. Stop the system of international armament, and false finance would carry every prosperous nation of modern Europe into the same dilemma in which we are beginning to find ourselves.

THE CASE OF GREAT BRITAIN.—Great Britain is spared a very large part of the difficulties of her neighbors by her insular position. The bulk of her armament is naval, and

all of this amounts to $20,000,000 a year less than we pay every year for pensions. In other respects her government expenditures are liberal; in some they are extravagant; but even with this vent, Great Britain could not well get rid of her revenues if she attempted to retain the tax-rates of 1840 upon the commerce of 1888. Her adoption of "free-trade" a half century ago was simply an opportune return to the true system of national finance, which has spared her the embarrassments which would otherwise have come upon her. From that time, her government has been able to gauge its taxation by its needs, and to shift its rates of taxation to higher or lower points according to those needs; and there have been no "vested interests" to say it nay, and interfere with or oppose its work.

THE CASE OF THE UNITED STATES.—In the United States we have ventured to defy the laws of nature by attempting to put true and false finance into practice together. Since 1861, we have, in general, insisted on a comparatively economical government. The mutual watchfulness of parties has given us a government which, if not ideal, has been at least one of the most frugal of which we have knowledge. We have persisted in paying our debt, a thing which no other nation really attempts to do; and this process, by constantly decreasing our annual *amount* of interest, and then, with increasing credit and refunding, by decreasing our whole *rate* of interest, has made our annual interest account steadily smaller. But, as a part of this process, we have promised not to pay the bulk of the rest of our debt until 1907; not only our annual interest payments, but our payments of principal, therefore, are far smaller nowadays than they used to be. All this is fairly in the line of true national finance. But, all the time that our expenditures have thus been growing less, we have attempted to maintain and even to increase the protective rates of taxation on imports, although we can no longer well see how to expend the

revenues accruing from them.[1] For twenty years or more, Congress has met every surplus of revenue by abolishing one or more taxes, but it has never dared touch the protective taxes. Now that process has come to an end; there are practically no federal taxes left but those imposed on spirits and tobacco and on imports[2]; these produce a revenue larger than the government needs; and Congress is at last forced to face the question of the diminution of some of the protective taxes. This question, as soon as it becomes a practical one, reveals at once the depths of the chasm which separates true and false finance. Partly by those directly dependent on the tariff, partly by those who have been persuaded that they are dependent on the tariff though they are not, partly by the opposition party in its desire to embarrass the dominant party in the management of the national finances, we are informed that times have changed; that the protected interests, and not the government, have now a vested right to fix the rates of taxation and veto any reduction; and that a protective tariff, when once established, "shall be touched only by its friends." Panic may come, and financial convulsion and general bankruptcy, as a result of locking up the money of the country in the national treasury; national extravagance may be forced upon us, as a kind of financial phlebotomy; we are even offered the alternative of prohibitory duties on imports and the cessation of part of our commerce, as one road to a decrease of revenue; but the natural road, the

[1] Expenditures for interest in 1867, $143,781,592; in 1887, $47,741,577. Receipts from customs duties in 1867, $176,417,811; in 1887, $217,286,893. Total government receipts in 1887, $371,403,277; expenditures, $267,932,180.

[2] Of the $371,000,000 receipts of 1887, about $700,000 came from the oleomargarine tax, $9,000,000 from sales of public lands, $26,000,000 from miscellaneous sources, $217,000,000 from taxes on imports, and $118,000,000 from taxes on spirits and tobacco. All but $36,000,000 of the federal government's annual income of $371,000,000 is now from these two sources—customs, and spirits and tobacco.

diminution of duties on imports, we are informed that we must not and shall not take. It is at this point that the issue of true or false finance supplants the narrower issue of free trade or protection. The American statesman is now forced to appeal for support to every interest which will maintain the right of the representatives of the people to fix their own tax-rates, and the right of the government to lower its duties on imports when that step becomes necessary. He appeals to the free-trader, undoubtedly, for such a diminution is in the direction of the free-trader's theory. But he appeals just as earnestly and hopefully to those protectionists who are willing to maintain the sound financial management of the government even with a decrease of the tariff duties from 47 per cent. to 42 per cent. Indeed, it is to the latter class that he appeals most hopefully, for they sacrifice far less of their theory than the free-trader must, and can see that the situation demands and deserves a compromise. Men may become confused, and even bewildered, with arguments and counter-arguments about the Home Market, and Cost of Transportation, and British Gold, and the Cobden Club, to say nothing of the Defence of American Labor and the size of President Cleveland's shirt collar. But the real issue in this election is one as to which there need be no mistake or bewilderment. How are we to maintain in this country such an honest and economical government as is required by the plain common people, the real tax-payers, as long as we keep our rates of taxation up to a point which must, under honest and economical methods, give us a great surplus of revenue, lock up an increasing part of the country's money in the federal treasury, and thus bring panic and disaster?

THE SURPLUS.—The surplus of revenue has become of overwhelming financial interest in the course of the last year or two, with the decrease of interest payment and the disappearance of that part of the debt which is open to pay-

ment, the revenue remaining the same. It was then found that federal taxes were bringing in about $9,000,000 a month more than the current expenses of the government called for. According to the Constitution, "no money shall be drawn from the treasury but in consequence of appropriations made by law." When, therefore, this surplus taxation had been collected and deposited in the treasury, there was no way of getting it out again unless (1) by extravagance, or (2) by so reducing the revenue that the surplus itself must be used to meet current appropriations. Until the current year this surplus had grown to about $125,000,000. During the current year, owing partly to large extraordinary demands for the payment of awards made by arbitration, courts of claims, etc., and partly to the tendency toward extravagance, which is one evil result of such a surplus, it looks as if the increase of the surplus would be not more than $70,000,000. But that increases the amount of locked-up money to nearly $200,000,000, with the certainty that, barring extravagance and extraordinary demands, the surplus must increase by $108,000,000 a year, until taxation is reduced. The treasury estimate is that the country's total amount of all that may fairly be called money, gold, silver, and, paper, is about $1,900,000,000. But about 600,000,000 of this is already locked-up permanently in the treasury, to secure redemption of treasury notes, gold and silver certificates, and national bank notes; and a $200,000,000 surplus would further reduce the real amount of money in the country to $1,100,000,000. Bar extravagance and extraordinary demands, and retain the internal revenue tax, and the maintenance of the present duties on imports becomes equivalent to a further Act of Congress contracting the currency at the rate of $9,000,000 a month, or $108,000,000 a year. We all know the popular uproar and uprising which such an Act of Congress would create. Is it a bit the better or

more tolerable to the interests of the people when it comes disguised under a false financial system? Is it an answer to him who objects to it to call him a free-trader? What is the theory of free trade or protection compared with the perils of a false financial system which is always carrying us farther down the rapids of contraction toward the Niagara of panic and general financial convulsion?

THE PROTECTIONIST ANSWER.—Uncompromising protectionists are coming of late years to deny that the consumers, those who buy taxed articles, pay the taxes thereon. We may pass this by as another point which tends only to confuse and darken the general issue, and consider the protectionist answers on the single point of national finance. A few protectionists make the flat claim that a surplus of revenue is not a national danger, but a national blessing. Most of them, however, know that there is but $1,300,000,000 in money in the country; that all this money is vitally necessary for moving the crops and transacting the business of the country; and that $100,000,000 a year cannot long be taken from this amount and locked up in the treasury without forcing a panic. There are not many men who argue that the question of a surplus could be settled "by taking just so much money out of the treasury and sinking it in the Potomac River." Most Republicans of this year are hard pushed to find any possible solution of the surplus riddle; but the solutions suggested are as follows:

(1) EXTRAVAGANCE.—Disguise it as we may, the commonest solution offered is that of *spending* the surplus in some way or other, no matter how extravagant the resulting appropriations may be. To the man who does not think much or clearly, the most inviting way to get rid of a surplus, whether in public or in private business, is just to spend it. Those who know that this surplus represents just so much unnecessary hard work imposed upon the mass of the people see that there is an enormous difference between a pri-

vate and a public surplus; that the private surplus represents just so much hard work gained, while the public surplus represents just so much hard work lost; and that the inadvisability of spending a private surplus in extravagance is multiplied a million-fold in the case of a public surplus. Passing this over, one comes to the further point, that in an era of extravagant appropriations it is always the sharpest and keenest applicants that fare best. The American people have never been willing, up to the year 1888, to convert their government into a gigantic gift-lottery, in which he who has the best notion of the contents of the lottery envelopes, or the most influence with the clerks, shall draw the largest subsidies and grabs. This is the inevitable result of such a policy, owing to a peculiarity of the President's veto power. The governor in some of our States, as New York, can veto separate items in an appropriation bill, while approving the others. The President must approve or veto an entire appropriation bill; and Congress has persistently refused to take the necessary first steps toward giving the President such a veto power as that of the governor of New York. With a surplus of revenue it is almost impossible to stop or check extravagant appropriations, or to fix responsibility for them on any one. The dominant party may try to hold appropriations down to a moderate figure. But the minority party, claiming to be irresponsible, is continually suggesting increases of detached items; which are supported by enough of the dominant party to give them a place in the whole bill. The President must then approve the whole bill or throw some department of the government into confusion by vetoing a general appropriation bill, and he almost invariably signs the bill. And so, in the current year, there are indications that we are to be temporarily relieved from the danger of a surplus by the pestilent evil of congressional extravagance. If the American people have now come to

favor such a policy, they have changed their nature or lost their intelligence, and it is useless to appeal to them by argument. But no evidence of any such change of feeling has been shown, and, until some such evidence is shown, no more than a presentation of the policy of extravagance is necessary to ensure its condemnation.

(2) INCREASE OF DUTIES.—It has been proposed seriously to increase, instead of decreasing, the duties on imports, so as to decrease the imports, the revenue derived from them, and the surplus, while avoiding any necessity for extravagant appropriations. This would evidently be only a palliative, for it would not be long before the natural increase of commerce, imports, and revenue would again overtake the legitimate needs of government and bring us face to face with the same old spectre, the surplus. False finance, in this phase of it, leads logically to duties so high as to prohibit most or all of the imports. There is another side, however, to be looked at. Most men do not realize how little *money* passes from one country to another in modern commerce. By means of bills of exchange and contrivances of like nature, the value of a cargo of corn on the way from New York to England is balanced against the value of a cargo of cutlery or cloth from England to New York, or against the value of a cargo of English goods bound for Brazil and there to be balanced against a cargo of coffee bound for New York, or against more roundabout transfers, even through China for tea. In 1887, the net imports of the United States (less re-exports) were $726,042,878, and the exports $725,733,263; but all the *money* that passed between the United States and all foreign countries in payment for this $1,450,000,000 worth of goods was $69,593,741: the respective merchants, bankers, and brokers managed to balance all the rest of the imports and exports against one another. The Constitution of the United States forbids Congress to tax exports, while it permits Congress

to take off, by taxation, as much as it pleases of the imports which are sent in payment for the exports. As modern commerce has come to be managed, this is now largely a distinction without a difference. It is true that the Illinois farmer sells his corn or wheat for cash in Peoria or Chicago; but the price which he will there get for it will depend on the New York price; and the New York price will depend very largely on the values of the return cargoes which are to be received for it. Let us now translate the ultra-protectionist proposal into plain English: "We are much embarrassed by the surplus of revenue in the treasury. The government is now habitually slicing off $47,000 from every $100,000 of dutiable return cargoes received from other countries in payment for our agricultural exports. It must be admitted that this sort of thing has a very decided influence on the New York, Chicago, and Peoria prices of corn and wheat; but that cannot be helped: the interests of American labor must be defended, even if western prices of corn and wheat go down to bed-rock. Now, in order to decrease the surplus, we propose to slice off $55,000 or $65,000 from each $100,000 of each returning cargo; and, if that should not prove to be sufficient, we are ready to go on and confiscate the whole $100,000 of return cargo, body and bones, leaving to the American farmer, as his share of the spoils, the control of the home market." How does the American farmer like the proposal in its nakedness?

(3) FREE WHISKEY AND TOBACCO.—Rather than touch any part of the protective system, the Republican party in its platform of 1888 declares its readiness to abolish all the internal-revenue taxes. As the only remaining internal-revenue taxes are the taxes on spirits and tobacco, and as it would be really necessary to abolish *all* the taxes on spirits and tobacco[1] in order to wipe out an annual surplus of $100,000,000, it is quite clear that this means free whiskey

[1] $118,823,391 in 1887.

and tobacco. That consequence may be unpleasant, but it is there, just the same, if extravagance and increased duties are to be ruled out. The surplus, in round numbers, is $100,000,000 a year; the internal-revenue (spirit and tobacco) taxes are $118,000,000; and the taxes on imports $217,000,000. If the taxes on imports are really not to be reduced, how is the surplus to be wiped out except by free whiskey and tobacco? When men advance a proposition in sober earnestness, they must expect to be held to the plain meaning of its terms, even if they do involve such a phrase as "free whiskey and tobacco." In the name of conscience, if whiskey and tobacco are not good subjects of taxation, what good subjects of taxation are there? Here is a formula which may help to clear up the matter. *Selling price of whiskey*, $1.15 *per gallon* = 25 *cents per gallon cost of whiskey* + 90 *cents internal-revenue tax.* Subtract the tax from one side of this equation, and what will be the natural selling-price of whiskey per gallon and per glass? Is it possible that the American people are to endorse this as their financial policy? Ultra-protectionists must now do so or give up a part of their protective system. It is only fair to say that most of them do so with reluctance and excuses, as to which the following points are to be noted: (1) This is not a case in which the Republican can take shelter behind the Prohibitionist, who makes the same demand for abolition of the tax on whiskey. Both demands are in duplicate, and the surface likeness disappears when we come to look at the other side of each. The Prohibitionist calls for abolition of the whiskey tax and prohibition of the manufacture and sale of whiskey: the two go together, and each must be read with the other. The Republican platform, rather than decrease the protective duties, calls for abolition of the whiskey tax, leaving manufacture and sale as free as ever. (2) Nor is it a case in which the Republican can masquerade as a benevolent advocate of

"high license": as one who wishes the federal government to abandon the tax on spirits to the States by permitting the States to impose an equal amount in licenses. Every one knows that no State has ever dreamed of taxing the sale of spirits to the extent to which the federal government, covering all the States, has been able to tax it; that the competition of the States for business would prevent them from imposing any such taxes as are easily imposed by the federal government which fears no such competition. In this sense, at least, the Prohibitionist is right in insisting that the question is a national one: a national remission of taxation on spirits would be an irretrievable and, with the exception of a few States, a universal remission. (3) Finally, it is not a case in which "alcohol to be used in the arts" can be practically distinguished from alcohol to be used as a beverage, so that the former can be freed and the latter taxed. There is no practical plan for maintaining such a distinction in the collection of taxes. To reduce the surplus by remitting the tax on spirits in any form does and must mean "free whiskey."

THE ESSENCE OF THE ELECTION.—In a Presidential year, the natural tendency is for the Presidential election to overshadow all other events. In this case, the congressional elections are fully as important, for in them the American people will register their decision for or against the policy of national finance which the Republican party this year proposes to them. Every Republican Congressman elected will go to Washington in December, 1889, either to betray his party and its platform, or to obey them; and, even if he should get in under an implied promise to repudiate the platform in whole or in part, it may be doubted whether, after he should take his seat, he could long stand up against appeals for party unanimity. If, then, the American people elect a Republican majority to the House of Representatives in November, they

thereby commit themselves to one of the following four courses:

(1) To no action whatever, a steady increase of the surplus and contraction of the supply of money, and final panic;

(2) To an unnecessary increase of $100,000,000 per annum in extravagant appropriations;

(3) To a higher and still higher tariff of duties on imports, looking finally toward prohibitory duties;

(4) To free whiskey and tobacco.

One of these four courses must be taken: the Republican convention, with unanimity and enthusiasm, has declared that it will take one of the last three.

THE DEMOCRATIC POLICY.—Such being the clear, definite, and pronounced financial policy of one of our two great parties, it becomes a most important matter to know the policy of the other party. As to the "condition which confronts us," the Democratic party is a unit, though as to "theory," it is as certain that its membership has included free-traders and protectionists of every degree of belief. As a remedy for the present condition of affairs, the Democratic party, repudiating extravagance and prohibitory duties, and considering spirits and tobacco as the fairest objects of taxation, has decided that the duties on imports must be diminished. It is probably fair to assume that the issue, as limited to the reduction of the surplus, will finally fall between free spirits and tobacco on one side and a reduction of tariff duties on the other. But it is as fair to admit that, in taking the latter course, the Democratic policy intends to re-assert for the government the right to frame its own tax laws and to lower its tariff duties as it finds necessary.

IS THIS FREE TRADE?—The moderate protectionist, who thinks of protection only for the good of the country, and not of his country as a mere theatre for protection, has no difficulty in accepting the Democratic financial policy; and

yet the cry is raised that this is "free trade," and that the Democrats are hypocrites who will not admit that they are free-traders. To decide the truth of this, it is all-important to know just what the Republican means by free trade: he cannot be permitted to make his own definition for a name, and then use the name for his opponents in a sense in which nobody else uses it. That would make his path very easy: he could prove his opponents to be a party of murderers, as well as hypocrites, by such logic: "You are a party of murderers." "Surely we are not; we have no desire to kill anybody." "Yes, you have; you are trying to kill our infant industries; and what is killing but murder? Down with the double-faced party, who are murderers and dare not acknowledge it." The Republican uses the phrase "free trade" in just this double sense. Whatever he may admit when he is dealing with intelligence, wherever he is dealing with ignorance he will leave the impression in his hearer's mind that "free trade" means the abolition of custom-houses and of all duties on imports. There are some men undoubtedly who take that position, but their number is as yet so exceedingly small that they have no political title to pre-empt the phrase "free trade" for their belief. It is notorious among educated men that "free trade" means simply a particular mode and purpose of laying duties on imports, and yet the cases are continual in which Republican writers and speakers tacitly assume, more or less plainly, that it means the ultimate removal of all duties from imports. Says the Democrat: "Are you crazy, or do you mean to imply that I am? No statesman ever yet proposed such a policy, of permitting commerce to go scot-free of its fair share of taxation. Professor Cliffe Leslie, in England, and Mr. Henry George, in the United States, have given their individual opinions that this would be an advisable policy; but you surely don't mean to bind us to their opinions." "No matter," says the Protectionist, "free means

free, and nothing short of it; and that is a good-enough Morgan till after the election." Let us see, then, what "free trade" really means, in order that we may see whether the "moderate protectionist" need fear to join with the "free-trader" in the Democratic financial policy.

BRITISH FREE TRADE.—The term of ignominy most commonly employed in the United States is that of "British free trade." It is never defined, but the implication is commonly made that custom-houses are unknown in Great Britain; that tariff-taxation is unheard of; and that "free trade" means the introduction of an exactly parallel system into the United States. If we take the revenues of the United States and of Great Britain at the same figures, in round numbers, say $380,000,000 per annum, the United States would raise $217,000,000 of this amount by tariff-taxation, while Great Britain raises $100,000,000 in the same way. Thus, even when "protection" is the object of one system, while "free trade" is the object of the other, the free trade system imposes nearly half as much taxation on commerce as the protective system. Evidently, then, even in "British free trade," free does not mean "*free*" in all the implications with which protectionist arguments are so fond of clouding it.

AMERICAN FREE TRADE. — So far from abolishing custom-houses or tariff-taxation, the very freest of free trade in this country could not approach the diminution in tariff-taxation which the English system of government permits. The constitutions of the two countries are vitally different. In Great Britain, excluding such local taxation as is imposed in this country by cities, counties, and towns, there is but one central government; all fields of taxation fall to it; and it can proportionally remit taxation upon commerce as our federal government never can. If all the varieties of taxation which are now imposed by our State governments—land taxes, taxes on insurance companies,

banks, railroads, and other corporations, etc.—went into the treasury of the federal government, it might be possible for an American free trade, if it should desire to do so, to decrease taxes on imports to a figure as low as "British free trade" has done. As the circumstances really are, such a result is impossible.

A TARIFF FOR REVENUE ONLY.—A "free-trade tariff," then, means a tariff of duties on imports which excludes, as far as possible, the notion of protection, and leaves the government free to raise or lower its duties as a surplus or a deficit may make necessary, without being subjected to interference in its work by a chorus of protests from selfish interests which consider themselves involved. This is no abolition of tariff-taxation; it is simply that true system of government finance to which reference was made in the beginning. It makes the government, not commerce, absolutely *free*. It brings about no distracting dilemmas in politics or government. It will never drive a great party into proposing free whiskey and tobacco, or extravagant expenditures, or prohibition of commerce, as barbaric remedies for its own false finance. It is simply common-sense and business methods applied to public affairs. Its results will vary of course in different countries, according to the country's need of revenue and its peculiar sources of taxation. But in every case it will be the *purpose* of the tariff that gives it its character; no matter how high its rates of duty may be, if they are needed for revenue and are not imposed for protection, the tariff is a free-trade tariff. Thus a tariff of 20 per cent., 25 per cent., or even 40 per cent. would be a free-trade tariff, if the country really needed so much revenue, while a 15 per cent. or 10 per cent. rate, if imposed for any purpose of protection, would be a protective tariff. Under such a *general* protective system as our country has attempted, the rates of tariff-tax will of course be high; but the notion that the characteristic of a

protective tariff is high rates, while free trade means the abolition of tariff-taxation, is an absurdity, and yet it contains the essential injustice of the protectionist argument. When the supporter of a revenue tariff uses the name protectionist, it is in precisely the same sense and shade of meaning with which the protectionist himself uses it. The name "protection" is itself a begging of the question, and yet the free-trader passes it over; there is at least no misrepresentation of the protectionist's *intentions*, nor any attempt at it. When the protectionist uses the name free-trader, he often uses it in a sense which is baseless and double-faced. Mr. A. is a Democratic leader in New York City. He is asked whether he is a free-trader, but it is with a double purpose. If, knowing that he is in favor of a revenue tariff only, he answers that he is a free-trader, the protectionist uses his answer in Michigan or Ohio to show that the Democratic party, with its Mills Bill, intends to destroy all the custom-houses and heap all the taxation upon the farmer. If, knowing the use that is to be made of his answer, he replies that there is no such thing as free trade in the protectionist's sense, and that he wants a tariff for revenue whether its rates be low or high, the protectionist triumphantly denounces him as a hypocrite who cannot be induced to show his colors. It may as well be clearly understood then that the only true, historical, logical meaning of the phrase free trade is that of a tariff designed to afford the revenue necessary for the government, to be raised or lowered according to the government's needs, creating no surplusses and leaving no deficits.

DEMOCRATIC FREE TRADE.—It is very certain that the bulk of the Democratic party's membership has always been made up of men who are free-traders in the sense of being supporters of a tariff for revenue only. Whenever the party's platform has had to speak on this subject, it

has always taken this ground.[1] And yet the party has always had a welcome and a place for such protectionists as have held to that belief for the sake of the country only, and have been willing to diminish protective duties when the choice lay between that and the worse evils which the present state of affairs offers. For ultra-protectionists, who would rather see the country demoralized or ruined than give up the smallest fragment of the protective system, there is evidently no place in the Democratic party, while Democratic protectionists have no difficulty in uniting with Democratic free-traders in the party's financial policy.

THE PROTECTION OF PROTECTED INTERESTS.—For more than a quarter of a century the financial policy of the country has been one of high protection. During that time, and under that policy, men by the thousand have been induced to invest their capital in protected industries, and

[1] The utterances of Democratic platforms on this subject have been as follows: (1832 and 1835) Not mentioned. (1840) "That justice and sound policy forbid the Federal Government to foster one branch of industry to the detriment of another; that every citizen and every section of the country has a right to demand and insist upon an equality of rights and privileges; . . . and that no more revenue ought to be raised than is required to defray the expenses of the government." Repeated in 1844, 1848, 1852, 1856, and by the opposing factions of the Convention of 1860. (1864) Not mentioned. (1868) "A tariff for revenue upon foreign imports." (1872) The Democratic party framed no distinctive platform, but accepted that of the Liberal Republicans, which left the question of protection or free trade to be settled by the congressional elections. (1876) "We denounce the present tariff, levied upon nearly 4,000 articles, as a masterpiece of injustice, inequality, and false pretence. It yields a dwindling, not a yearly rising revenue. It has impoverished many industries to subsidize a few. It prohibits imports that might purchase the products of American labor. It has degraded American commerce from the first to an inferior rank on the high seas. It has cut down the sales of American manufactures at home and abroad, and depleted the returns of American agriculture—an industry followed by half our people. It costs the people five times more than it produces to the treasury, obstructs the processes of production, and wastes the fruits of labor. It promotes fraud, fosters smuggling, enriches dishonest officials, and bankrupts honest merchants. We de-

men by the hundred thousand have been induced to learn such industries as workmen. Most of these industries would be more profitable under free trade than under protection; a few are still unprofitable but for the tariff. Is the Democratic party, then, simply from a determination to put the theory of free trade into operation at once, to abolish the whole protective tariff, destroy the capital invested under it in the weaker industries, and leave the workmen with nothing to do? Those who make the charge, or insinuate it, forget or ignore the fact that Democrats wish that there should be free trade for the good of the country, not that there should be a country for the good of free trade. As a demonstration of their consistent policy on this point, they may appeal (1) to their course in regard to the Spanish treaty, negotiated under President Arthur, which would have suddenly deprived some of the protected industries of their only basis of existence. The first to pro-

mand that all custom-house taxation shall be only for revenue." (1880) "A tariff for revenue only." (1884) The Republican party "proffers a pledge to correct the irregularities of our tariff—it created and has continued them. Its own Tariff Commission confessed the need of more than 20 per cent. reduction—its Congress gave a reduction of less than 4 per cent. It professes the protection of American manufactures—it has subjected them to an increasing flood of manufactured goods and a hopeless competition with manufacturing nations, not one of which taxes raw materials. It professes to protect all American industries—it has impoverished many to subsidize a few. It professes the protection of American labor—it has depleted the returns of American agriculture, an industry followed by half our people. . . . The Democracy pledges itself . . . to reduce taxation to the lowest limit consistent with due regard to the preservation of the faith of the nation to its creditors and pensioners. . . . We therefore denounce the abuses of the existing tariff; and, subject to the preceding limitations, we demand that Federal taxation shall be exclusively for public purposes, and shall not exceed the needs of the government economically administered." The "limitations" spoken of were the cases of industries which owed their existence solely to a protective tariff, and therefore needed special consideration, for the sake of employer and workmen, in any revision of tariff rates. (1888) A renewal of the foregoing, with an endorsement of President Cleveland's Annual Message of December, 1887, and of the Mills Bill, as practical exemplifications of the party's principles.

test and to demand a longer time for these industries to accommodate themselves to a new order of things were the free-traders, the New York Free-Trade Club leading the way in a public and emphatic declaration. They may appeal (2) to the policy which they have outlined in the Mills Bill.

INTERNAL-REVENUE TAXATION.—The Mills Bill is a proposal, *inter alia*, to reduce the average rate of tariff-taxation on dutiable imports from 47 per cent. to 42 per cent. in obedience to the Democratic policy already outlined. There are sound reasons in the history of our internal-revenue taxation, why there would have been very fair excuse for making *all* the tariff-reduction upon those duties which affect protected manufactures. When high protection was introduced in 1862–5, it was intended as a balance and fair offset to an inquisitorial and sweeping system of internal-revenue taxation. When every successive part of an umbrella was taxed heavily in course of making, when stick, ferule, ribs, silk, rubber, and buttons each paid its separate tax, and then the parts, when put together, paid still another general tax as an umbrella, it was but a fair thing that there should be a correspondingly heavy tariff-taxation on English umbrellas, in order to give the American manufacturers a living chance. The American government was simply taking care of the goose which was laying the golden eggs of the internal revenue for it, and the American manufacturer was not so very much better off when he came to strike a balance between his tax and his protection. When the war was over, the necessity arose for a decrease of revenue. Even-handed justice would have required that any reduction of internal-revenue taxation on manufactures should be accompanied by an exactly equivalent reduction of their protection, leaving them always as they were before. As a matter of fact, *all* the reductions were made in the internal-

revenue tax, and the protection was retained in full; the goose was excused in future from the duty of laying the golden eggs, but she was to receive her regular rations just the same. In 1866, the internal-revenue taxation for the year on all articles other than whiskey or tobacco was $255,887,251; in 1888 *all* of this had been repealed; but the rates of taxation on dutiable imports (47 per cent.) remained practically unchanged. Considering these facts, one might have expected that, when the Democrats undertook to make the imperative reduction in tariff rates, they would have made them in those duties which acted as a protection to American manufactures—that is, that they would have begun at last the long-delayed work of evening up the former removals of internal-revenue taxation. To do so would have been, as just explained, in violation of their policy of subserving free trade to the welfare of the country. Instead of putting competing foreign manufactures wholly on the free list, they have followed the lines of the Mills Bill.

THE MILLS BILL.—(1) The first effort of the Mills Bill has been to find and remove as many as possible of the more glaring inequalities and errors of the present tariff, cases which are utterly indefensible even on a protectionist theory. For example, if tin were produced in this country, the protectionist would affirm, and the free-trader would deny, that it was advisable to tax the imported article and raise its price sufficiently to enable the American tin-miner to make a profit on it. As tin is not produced in this country, one would suppose that no one would care for a duty upon it. There is a duty upon it, however. Those who use canned goods, tin pails and kitchen utensils, tin roofing, or tin in any of its multifarious forms, unite to pay to the government an utterly needless tax of $5,706,434 a year on the imported tin; the Mills Bill therefore makes tin free, abolishes the duty, and goes thus far toward relieving the peril of the surplus without touching the question of pro-

tection at all. Wherever it has been possible to transfer a case of this kind to the free list, the Mills Bill does so. (2) Whenever it has been possible to put upon the free list an article or substance which is the raw material for an American manufacture, the Mills Bill has done so. This is notably the case with wool, the raw material for so large a number of American manufactories of cloths, cassimeres, and woollen goods in general. It has been taxed about 10 cents a pound, or from 35 per cent. to 40 per cent. and the tax has been made more onerous from the fact that it is reckoned also upon all the dirt, grease, and other impurities with which the wool is loaded, amounting to sometimes half or more of the taxed import. Nevertheless, the wool comes, for this country does not produce the kinds of wool which the manufactories *must* have, in addition to the American varieties, in order to make their goods. The manufacturers therefore pay the duties, and the duties go into the price of the manufactured goods; no one would expect the manufacturers to pay out of their own pockets and their own benevolence. *The wool will come*, whether the duties are on or not, as long as the manufacture continues. To take the duties off, means simply to decrease the price of American woollen goods, and thus to enable men to buy blankets and heavy underclothing who were not able to afford them before; and on this point the bill might well be called "A bill for the relief of the people of the Northwest." But will it help the manufacturers? In the first place, it will not hurt them, for the duty saved balances the decrease on price of finished goods; and surely we might be permitted to help the people so much and check the growth of the surplus by a step which simply did not help or hurt the manufacturers. But it will help them: it will widen their market. Modern profits are not made by high prices, but by large and rapid sales; and the increased market for the American woollen manufacturers is just what all modern

manufacturers need and long for. Indeed, it will give them what they never have had, and never can have under the wool-tax, a foreign market and the ability to compete with manufacturers of other countries. This point of policy of relieving American manufacturers from the payment of duties on raw materials, and thus enabling them to decrease their price, increase their market, and obtain a new lease of life, is the second characteristic feature of the Mills Bill. It is enough to indicate the purpose of its authors, while checking the surplus, to give every possible benefit to American manufacturers, instead of suddenly calling upon them to meet the country's exigency by surrendering the protection originally balanced by internal-revenue taxes long since removed. (3) Passing by certain non-characteristic features such as modifications of internal-revenue taxation, there remains still a part of the surplus to be provided for; and here at least the Bill is forced into a decrease of some of the protective duties. But, as far as possible, every such decrease is fully balanced by removing the duties on the raw material of the manufacture affected. Thus the removal of the duties on wool is meant to balance the removal of the duties on foreign woollen goods, leaving the American manufacturer of woollens just as he was before, but with a far larger market. If the protectionist considers any such change as an evil, he may take notice that his own system has now shut him up to a compulsory choice between five distinct evils: (1) the growth of the surplus, the contraction of the money-market, and panic; (2) extravagance; (3) prohibitory duties; (4) free whiskey and tobacco; and (5) the decrease of protective duties proposed by the Mills Bill. Choose! choose! But, so long as argument is confined to denunciation of the fifth item, the distinct Democratic proposal, without any distinct proposal on the other side in its stead, it must be admitted that, in this great emergency of the country, the Democratic party has

propounded a definite solution, while the Republican party has none to propound, or even to agree upon.

There is little or no change, then, in the relative position of the few protected industries with which the Mills Bill is compelled to interfere. But it is well worth while to ask, supposing that the whole tariff were rearranged with a view to revenue only, and with no regard to protection, whether the American manufacturer would then have any advantages over his foreign competitor. (1) He would have the protection which comes from the 3,000 miles of ocean between them, with its additional charges for freight, insurance, etc., and his better knowledge of the peculiar needs of his market, the whole making up protection enough in itself for any healthy and reasonable industry. (2) He would have the services of the finest body of workmen in the world, workmen whose superiority is admitted even by protectionists, when they are not engaged in showing that these workmen must be "protected against the pauper labor of the Old World." American workmen can tend the most delicate and powerful machinery without injuring or spoiling it; they can bring its full working power out of it; they can invent improvements upon it. In every way they can give their employer, with the same amount of time, effort, and raw materials, a far greater proportional number of manufactured articles than any body of foreign workmen. The employer is thus able to pay them higher wages than their foreign or "pauper" competitors receive, and still sell each article at a lower price than *his* foreign competitors, while making larger profits than they can. The whole process is not "theory"; it is the essence of modern business and production, and every business man knows and understands it. Employers pay high wages in this country because it pays them to pay high wages, and not as a matter of charity to their men, or as a division of plunder from the tariff. Even in the protected industries, the New York

workman is a smarter, more intelligent, and more productive workman than his rival of the South, who is still duller-witted through the surviving influences of slavery. And so the New York employer can make larger profits than the North Carolina employer; but, in order to make them, he must have the better workmen, and, in order to get the better workmen, he must pay the higher wages. And so it comes to pass that rates of wages in a New York woollen mill will be found to be perhaps twice as high as in a North Carolina establishment, and that the New York employer is the better satisfied, though the same tariff rules and reigns over both of them. There are undoubtedly some industries which could not exist but for the tariff; these are not in question, for the Mills Bill has carefully avoided interference with them. (3) He would have even a greater advantage in that he himself, his employers, and his customers would all be permitted to make all their purchases without the element of unnecessary and reckless taxation. As it is, every step in American manufacture is based on taxed prices which are greater than the natural prices; and the finished product necessarily comes out at a price higher than the natural price. The manufacturer, then, can afford to sell it only in the protected "home market"; he cannot compete in South America or other foreign markets with English products whose price has never been raised by unnecessary taxes. Give him freedom on *every* side and he can beat the Englishman in any market. And it is just such an extension of his field of operations to which the modern manufacturer looks for his profits, not to artificial high prices. (4) He would be relieved from a degrading and emasculating dependence on tariff-taxation and on the politicians who claim to manage the tariff in his interest; and full, free, and fair competition, the universal parent of improvement, large production, and honest profits, would have its natural effect upon him and his work. (5) The

opening of the world-market to him and his fellows, the levelling of the Chinese wall which now shuts them in to fry in their own fat, would relieve him from the abnormal pressure which trusts and similar combinations are now able to bring to bear upon him. (6) If all this is not enough, it is his additional good luck to live under a government which collects the bulk of its revenues from two sources: from spirits and tobacco, on which the tax cannot be made higher without danger of new revenue frauds; and from duties on imports. For years to come that government must provide for its growing expenses, for a navy adapted to the needs of the world's greatest republic, for the most enormous pension list that the world has ever seen, for the interest on its debt, and for the ultimate payment of the principal; and it must do all this mainly out of duties on imports, without the manifold sources of taxation to which other governments can resort. Under a party whose consistent policy is to put raw materials on the free list, and confine tariff-taxation, as far as possible, to manufactured imports, it is not likely that the freest sort of an American free-trade tariff would fall below an average rate of 20 per cent. or 25 per cent. on dutiable imports. This is an advantage which no free-trader would seek to take from the American manufacturer.

ARE THE ODDS ENOUGH?—Americans have not been in the habit of asking any greater odds than these against an opponent. The American soldier or sailor never did; the American fisherman never did; the American ship-builder, in the brave days of old, never did; the American farmer does not to this day and hour. All that these have ever asked has been a fair field and no favor to either side. Can it be possible that American manufacturers are the only class of their countrymen who dare not enter into competition with other countries unless with larger odds in their favor than have been specified above? That they would

force their country into panic and bankruptcy, or into a resort to extravagance, prohibitory duties, or free whiskey and tobacco, rather than surrender one jot of the extraordinary advantages which the abolition of internal-revenue taxes on their goods has given them? It is not true: American manufacturers make no such unreasonable demands. They are very busy with their current work, and are anxious only to be permitted to continue it on fair terms. The unreasonable demands come from the hangers-on of the manufacturers, from the professional politicians, or salaried officials, who are in one way or other working associations of manufacturers for all they are worth. The cases in which such demands come from intelligent manufacturers are exceptions. These are usually not Americans, but foreigners: gentlemen from Scotland, England, Germany, or elsewhere, who, not being fully content with the profits of their industries in their own countries, are kindly willing to come over and establish branch works here, if we will in return merely keep our financial affairs in confusion and peril to make it worth their while. They are the ones who are continually furnishing startling arrays of "statistics" to show how much more it costs them to establish and run such works in this country than in their own; and how necessary it is for us to give them a heavy protective duty, surplus or no surplus, rather than "lose an industry." Is it not better to "lose" such an industry than to lose all our industries through panic and financial convulsion?

HOW WILL THE WORKMAN FEEL IT?—Little has been said distinctively as yet of the workman, for his share in interest goes with that of the manufacturer: what applies to one applies to the other. When there are work and profits for the employer, there are work and wages for the employee, and the American workman may safely be trusted under fair conditions to get his fair wages for his work.

Beyond all that, the workman is himself a consumer of the products of other workmen, and will find his account in the benefits which come to all consumers from a sound financial system. Nevertheless, if argument is to be honest argument, one or two more remarks should be made as a protest against certain customary arguments of ultra-protectionists. When they produce long tables of alleged statistics, to show the far higher wages paid in this country than in England, there is no doubt that they do it honestly, if ignorantly; but there is no such excuse for the man who first drew up the "table of statistics": he knew better. He knew, as every one else who deals with such matters knows, that there is not a word of truth in his "comparative table of wages"; that only one serious effort to reach such a comparison has ever been made in this country (by the Massachusetts Bureau of Labor Statistics in 1883); that the trained managers of that attempt never claimed to have made more than an approximation to correctness for a single State; and that his table, for its "American rates of wages," has not even a basis of fact.[1] He always speaks vaguely of his table as having been

[1] "It was, of course, impossible to show the wages for all the employees in any industry in either country. The investigation was intended to cover about ten per cent. of those engaged in the various industries considered in Massachusetts. . . . For Great Britain the proportion obtained cannot be shown owing to the absence of official figures giving the numbers employed in the various industries, and also from the fact that many of our Great Britain returns were not for definite numbers of employers."—Carroll D. Wright's *Mass. Labor Report for 1884*, p. 140. "If we could obtain wage statistics from the same people at different periods, we should have the basis for a perfect comparative wage-showing; but, taken as they necessarily are for different people, different grades of establishments, and with different representations of high and low paid employees in various averages, all wage-showing, however full and carefully explained, must fall short of satisfying the scientific mind."—*Ibid.*, p. 397. "A casual examination of these summaries will show that any attempt to find an American rate of wages must necessarily result in failure. There is no such thing as an American rate of wages."—Carroll D. Wright's *U. S. Labor Report for 1886*, p. 142.

"taken from the records," but there are no records from which to take it; our census has made some efforts to guess at rates of wages of some industries; but, if you should offer such a comparative table to any official of the Census Bureau, even if he were a protectionist, in order to back up a question of statistics, he would laugh in your face and tell you that such tables are worthless, except to catch ignorant votes. Two minutes' thought will show why. The rate of wages is not alike in any two States: nor even in two adjoining counties of the same State; nor even in two adjoining townships, or shops. Who is to tell us how much more or less the Massachusetts rate, if we *could* ascertain it, is to count than the Alabama or Nebraska or California rate, in order to make up an "average" for the whole country? Even if that could be done, the wages of different countries could not be compared unless we knew how much the amount of wages would *buy* in each country, and how many working-hours the week consisted of, and how much time was lost in each country by strikes and lockouts. Two dollars a day, with six months of forced idleness, is not so much better than one dollar a day with steady work the year around. Such difficulties make any such comparison an impossibility. The ultra-protectionist claims that he has made it, or that somebody has made it for him, but he never tells how, when, or by whom. Until he does so, his table has no place in the argument.

IMMIGRATION.—"But," says the ultra-protectionist, "what mean these streams of skilled workmen, pouring from other shores to ours, where they may enjoy the bountiful blessings of protection? These streams show that the workman at any rate knows where the wages are the highest." It is impossible to do justice to the eloquence with which this argument is urged: it has great scope for eloquence. But the answer is equally simple and crushing: *there are no such streams of immigration.* Here again the census and similar figures give the lie to the whole argu-

ment: they show that, under protection, skilled labor no longer comes to us; that 90 per cent. of our immigrants are classed as "miscellaneous" or "without occupation"; that only 10 per cent. are classed as "skilled," and hardly any of these are in protected occupations, the mass of them being butchers, bakers, carpenters, clerks, etc. And yet the ultra-protectionist will undoubtedly defy the figures and repeat his argument to the end of the chapter. Do you wish to test it? Go to Castle Garden nowadays, and consider the "streams of skilled labor" which protection gives us. It does not give us the kind of labor which the active, self-protecting manufacturer is not afraid of, labor which will have its fair share of the product in the shape of wages, or will know the reason why. It gives us that low-priced, low-grade labor, which injures both manufacturer and workman, tempting the manufacturer to have work done more poorly merely because of the lower price. The lumber magnate has "protection" against Canadian lumber; but the American wood-chopper has no protection of any kind against any stream of Canadian labor which may choose to cross the border and offer to take his work at a lower rate of wages. It would be a bad thing if both capital and labor had such "protection"; it is a grossly unfair thing when capital gets all the protection, and labor none; it becomes richly absurd when capital seizes all the protection, but declares that it does so "for the defence of American labor." The force of absurdity can and does go one step further when capital "defends" American labor by informing it that it must support a continuance of this "protective" system by its votes, "or the works will be closed," and then undertakes to cover the whole system by calling it *the* "American system," and by appropriating as its emblem that flag which is the common possession of the whole country and of all its citizens.[1] A man may feel compara-

[1] Webster, in his brilliant free-trade speech of 1824, took occasion to denounce Clay's first attempts to appropriate the word "American" for his pro-

tively little regret when the country's financial position compels it to turn away even slightly from such a system as this, and toward a better one, and not be a *very* fanatical free-trader for it either.

WAGES AND THE MILLS BILL.—The Mills Bill does not move under the false-face of being a "defence of American labor"; it is simply an effort to ward off a financial convulsion which must bring keen anxiety, if not actual hunger, to every home in the country, rich or poor. In reaching its one object, it has done so with as little interference as possible with protected industries, and the grant of counterbalancing advantages where interference has been inevitable. It asks the workingman to vote for it, not that he may thus injure or get the better of capital, but that he may help save the country from financial trouble, without injuring his own opportunities for work or decreasing his wages therefor. So far as it touches the workman, he can feel it only for good.

HOW WILL THE FARMER FEEL IT?—He who realizes that the exports of American agricultural produce are not paid for in money, but in return cargoes of foreign goods, will not need to be told how the prices of the exports will be affected when the government begins to cut off less of the return cargoes by taxation. It is not simply that the well-being of the farmer is sought by giving him the opportunity to buy at lower prices the foreign goods which he needs and ought to have; it is the broader and deeper fact that it is sought to increase the prices which he gets for his

tective system, as a violation of parliamentary ethics, if not of parliamentary law. "It may imply that there is a more exclusive and peculiar regard to American interests in one class of opinions than in another. Such an implication is to be resisted and repelled. Every member has a right to the presumption that he pursues what he believes to be the interest of his country with as sincere a zeal as any other member." It is unfortunate that lack of space forbids the insertion of the whole passage, which is as applicable to the decencies of political discussion in 1888 as in 1824; but the reader will find it in Webster's *Works*, iii., 95, 96.

corn and wheat by permitting the return cargoes which are sent in payment to come in at more nearly their true value.

HOW WILL THE WOOL-GROWER FEEL IT?—The American farmer's share in the general scramble for protection has been of the meagerest, and his competition with the "pauper labor" of other countries has been unremitting. Perhaps the paltriest bribe that has been offered him has been the duty on wool; and that the Mills Bill proposes to remove. How will the wool-grower feel it? It will ruin him, cry the protectionists, in the same chorus which was heard in England when the same step was taken there forty years ago. The American wool-grower's prosperity depends on the prosperity of the American wool manufacturer. Wool is not grown for fun, or as a centre-table ornament; the manufacturer must and will have the foreign classes and grades of wool, tax or no tax. The American wool-grower furnishes the remaining half of the raw material. If the removal of the duty removes an obstacle which has been crippling the energies of the manufacturer, increasing the price at which he must sell, and thus decreasing the number of his buyers, how is greater freedom likely to affect the prosperity of the manufacturer, the number of the manufactories, the amount of their blankets and woollen goods, and the consequent demand for American wool? The question answers itself; the dog in the manger is not an advisable precedent to recommend to an American wool-grower for imitation.

HOW WILL THE FOREIGN WOOL-GROWER FEEL IT?—If the removal of the wool-duty is an essential step toward relieving us of the imminent peril of panic, we could afford to look on with indifference, even if the foreign wool-grower thereby obtained a somewhat larger market in our own country. We surely are not to drive straight into national panic in order to spite the South American or Australian

wool-grower? If, in addition, we thereby increase the productive capacity of our own woollen mills, and the consequent demand for the necessary American varieties of wool, the case becomes still stronger. But, say some protectionists, these latter results, at least, will not accrue. When the duty is taken off, the foreign wool-grower will simply add the amount of the duty to the price; his wool will reach the American manufacturer at just its previous price; the saving in duty will go to the foreign wool-grower, who was previously "paying part of the taxes of the American government"; and there will be none of the counter-balancing benefits to the American manufacturer, consumer of woollen goods, or wool-grower. The statement is preposterous when fairly examined; and yet it has been seriously and honestly made by able men, and is likely to be accepted at first sight by many who will never examine it. If it were true, a wool-tax ought never to have been put on, for it could never thereafter be taken off; and every increase of the tax, though it should prove to have been a mistake, must be made with the clear understanding that it must never thereafter be decreased, though blizzards rage and underclothing and blankets of finer grades and greater warming power become too expensive for common use. But it is not true; the whole course of business disproves it. When the American woollen manufacturer's buyer goes to Buenos Ayres for wool, he finds the market price fixed by the competition of sellers from all parts of the surrounding territory, and of buyers from Great Britain, France, Germany, the United States, buyers of all creeds, colors, countries, and conditions. It is preposterous to suppose that all the sellers can be united into a "combine" against American buyers, any more than against Protestant buyers, or mulatto buyers, or intemperate buyers. It is equally preposterous to suppose that if such a "combine" were possible and successful, the American buyer would not be sharp enough to baulk it by trans-

acting his business through British, French, or German agents. The word preposterous is not usually parliamentary or proper in argument; but what other word can fairly be used for such a statement as that on which the argument against the removal of the wool-tax is based? The foreign wool-grower cannot in the nature of things get one cent of the remitted duty; or, if he does, the American woollen manufacturer had better discharge his buyer and send out another. Under the Mills Bill, the wool will come to America as it goes to Great Britain, without any tax upon it; and the benefits will accrue to the American wool manufacturer, the American consumer, and the American wool-grower.

HOW WILL THE COUNTRY FEEL IT?—The cheapest and easiest argument of protectionists has been that the period from 1846 until 1861, under the free-trade tariff of 1846, was one of frightful stagnation and depression, culminating in the "terrible panic of 1857," and finally relieved by the Morrill tariff of 1861. They have been confronted by the census figures, which show a larger proportional growth during these fifteen free-trade years than during the subsequent protective period; but they repudiate the figures and reiterate the assertion. The period was one of solid, substantial, and healthy growth, until the evident approach of civil war threw government finances into confusion. The panic of 1857 was an experience such as hardly any ten years of our history has been free from. The country recovered from it simply, quickly, and easily, as it always will under natural conditions. It was not comparable to the panic of 1873, and the six long years' agony of recovery to which an unnatural protective system condemned the country. It will be still less comparable to the panic which awaits us if the money-supply of the country is to be contracted at the rate of $100,000,000 a year, with a majority of the House of Representatives pledged against any interference with the

protective system, and no possibility of changing that majority, even in the height of a panic, in less than two years. Even if we regard the question between a continuance of the growth of the surplus and a five per cent. interference with the protective system as purely a choice between two evils, the country will feel the latter infinitely less than the former.

HAS OUR WEALTH COME FROM PROTECTION?—God has given our people such a field as no other people ever had, and no other people ever can have again, unless it be possibly in Africa or Australia. Here is an absolutely virgin continent, rich to very excess of profuseness in agricultural wealth, in the precious metals, in iron, coal, oil, in all the minerals, in water-power and water-communication; and it has been handed over bodily to a branch of the most energetic race of mankind, who know how to work themselves and to set every force of nature at work for them, and who are continually stimulated further by democratic institutions and the consequent possibility of elevating themselves and their children to any position to which hard work and honest capacity will fairly entitle them. If such a people, under such conditions, had *not* developed the wealth which now marks the American people, the failure would be a marvel to historians for all time to come. It is almost as great a marvel that, when the work has been done and the explanation is so patent, men should actually turn for an explanation to such an "antiquated and mediæval device" as a protective tariff, or fear and preach that, no matter if panic at any time stares us in the face, the bottom will drop out of the prosperity of the country with the slightest interference with the protective system.

PANIC, PROTECTION, OR THE MILLS BILL.—Summarily, then, the Mills Bill means no attack upon protection or upon any thing else: where there is even a conflict, it is due merely to the fact that ultra-protectionists have placed

their own system as a barrier across the financial path which the country is imperatively compelled to take. The consequences, whatever they may be, must lie at the door of the ultra-protectionist: if the results, in the course of years, should lead to a tariff for revenue only, the free-trader will have the ultra-protectionist to thank for it. For the present the question is how to deal with the surplus and how to avoid its contraction of the money-market and consequent panic. To confine argument to the denunciation of the Mills Bill and to the circulation of cards bearing the British flag above the names of the Democratic nominees will not do: some positive policy to meet the great question is demanded from any organization which still claims to be a national political party, fitted to control the government. That positive policy the Republican party in this election does not even claim to have: it merely states three modes of reducing the revenue, each of them objectionable even to great sections of its own party, but it does not undertake to state which of them it will adopt, nor can it unite its own party in favor of any of them. On the contrary, the Democratic policy, as stated in the Mills Bill and supported alike by Democratic free-traders and Democratic protectionists, is a positive and definite solution of the question of the surplus, and it arrives at this solution by the safest of roads, with every regard to the unusual circumstances created for it by the ultra-protective policy of the past quarter of a century. It touches the protected industries as little as possible, gives them incidental assistance wherever it can do so, but in all things has regard to the welfare of the whole country in all its phases, protected or unprotected. Which is the statesmanlike way of meeting the question? Which will the "plain people" of the country seal with their approval?

THE FINANCIAL ISSUE.—The writer is quite willing to make affidavit that he has never seen a piece of British

Gold, except once through a broker's window on Nassau Street in New York City. He has no relations with the Cobden Club, and until very recently had supposed that he had never seen any member of that body except President Garfield, and then only at a distance. He is not a member of any free-trade league or association, though he must accept the title of free-trader if he is forced to a choice between free trade and protection under the present circumstances of the country. Others, like him, have hitherto been occupied mainly with other questions than that of protection, but have been compelled to see that the real issue now before the country is one of national finance, and to consider how far the protective system has now become a chronic obstacle to the government when circumstances make it essential that the revenues should be decreased. The unmistakable lesson is that, when a great and rich country like the United States begins to accumulate a dangerous surplus through excessive taxation of imports, a radical protectionist is absolutely incompetent to deal with the question, and that this outcome is enough to show that the fundamental difficulty with protection is the false finance on which it is based. But to revert instanter to a true system of finance would be to ruin many of the industries which have grown up under the opposite system, to destroy the capital invested in them, and to beggar the workmen who have learned them. The issue, then, is not primarily or properly that of free trade or protection, but that of financial reform or panic; but the method of financial reform must include, as the Mills Bill does, an escape not only from panic as the consequence of the surplus, but from a subsidiary panic in the course of the process, as the consequence of some of the features of protection. There is ruin on both sides of the course; the ultra-protectionist is precluded by his false finance from steering clear of either Scylla or Charybdis; and, if the crisis seems to prove that

free trade is the better servant for the country, the free-trader who is no fanatic may well regard that result with equanimity, as a new proof that his theory is built on true finance, and may well be content to see that result reached as slowly, safely, and surely as possible. The ultra-protectionist has no solution for the riddle of the surplus; he can only say that his bank is broken and heap maledictions on the Mills Bill. The only present road of escape, for moderate protectionist and for free-trader alike, is through the Democratic party. It is a matter of profound indifference whether that party in 1864 declared the war a failure or not; the vital and essential thing just at present is that the Republican party's financial policy is a confessed failure in 1888. "Free trade," in the proper meaning of that phrase, is neither so terrible nor so near a thing that either the direction of the step or the length of it ought to terrify the moderate protectionist from assenting to a five per cent. reduction in the tariff-taxes, when the country must choose between that and worse evils. How is the voter to do his share toward meeting the present exigency of the country? True finance would seem to have but one answer: disregard for the moment all questions of free trade or protection, Democracy or Republicanism, and vote for Congressmen who will support loyally the safe and sound methods outlined in the Mills Bill.

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